

STREET FINANCING OPTIONS REVIEW -- FINANCE WORK GROUP SCORE SHEET

Evaluation Criteria	G.O. Bonds	Hwy. Alloc. Bonds	Sales Tax: Gen.	Sales Tax: Vehs.	City Wage Tax	City Wheel Tax	Occup. Tax: Fuels	Spec. Fund. Dists.	SID's	Reall. Exist. Funds
1. User Fee Based – Fees paid by those who use the system/service										
2. Deductibility – Fees/taxes can be deducted from income tax obligation										
3. Ease of Approval - Relatively easy to put fee/tax in place										
4. Broadly Base – Paid by wide range of users, including non-Lincoln residents										
5. Application Ease – Collection and enforcement system easy to establish										
6. Stability of Source – Would be a predictable and steady revenue source										
7. Progressive Tax/Fee – Would be considered a progressive (not regressive)										
8. Bondable – Revenue source would be available for bonding purposes										
9. Amount of Revenue – Provides potential for large sums of revenue										
10. Public Policy – Politically acceptability & easy to understanding										
OVERALL RATING – Should option remain for serious consideration?										

General Obligation Bonds

Funding Source/Financing Option:

Bonds issued under the general auspices of the City of Lincoln based upon a direct vote of the electorate. The bonds would bear the full faith and credit of the City.

Amount of Annual Funding/Revenue:

Additional Percent of Property Tax (City Share Only)	Annual Revenue Generated	Approximate Amount of Debt Supported (20 Year Bonds)	Annual Increase in Property Tax on a \$110,000 House
1 percent	\$350,079	\$4,250,000	\$3.46
3 percent	\$1,050,238	\$12,750,000	\$10.38
5 percent	\$1,750,396	\$21,250,000	\$17.30

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

Yes.

2. What governmental entity must approve this funding?

City Council (with Mayor's approval) would need to authorize the placement of the GO bond issue on the ballot. A simple majority (50 percent of the valid votes cast, plus 1 vote) would be required to approve the issuance of the bonds.

3. Other legal considerations?

Who Pays/Provides Revenues:

General obligation bonds are paid from property tax receipts.

From property owners within the City limits

The city's portion of the overall property tax bill is approximately 15%

How Feasible a Funding Source is this to Implement?

Bond proceeds must be spent within 3 years of the funding.
Bonds must be issued within six years after voter approval.

Pros

Cons

Comments

Omaha has issued approximately \$300 million of GO bonds for street construction. Recent concerns have been raised regarding the effect that the amount of debt outstanding may have on its very high credit rating.

Highway Allocation Bonds

Funding Source/Financing Option:

Highway Allocation Bonds are secured by governmental funds received or collected by the City of Lincoln for street construction. These bonds are currently allowed by State law. This type of bond is not considered a “revenue bond” but rather is a bond which pledges a future Federal, State, or local revenue stream, and bears the full faith and credit of the issuing municipality.

Amount of Annual Funding/Revenue:

City Share of Federal Fuel Tax

City Share of State Fuel Tax and miscellaneous other taxes and fees

Local Revenues (Wheel Tax)

Estimated annual revenues available for bonding is \$14.5 million.

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

Yes. Federal, State and Wheel Tax revenues can be pledged to secure these bonds.

2. What governmental entity must approve this funding?

City Council with Mayor’s approval.

3. Other legal considerations?

There is no limit to the amount of bonds that can be issued.

Who Pays/Provides Revenues:

Funds received from Federal fuel tax, State fuel tax, and City Wheel Tax can be pledged to service these bonds.

How Feasible a Funding Source is this to implement?

Pros

Cons

There may be a limit to how the money raised from bonds supported by the wheel tax is used.

Federal Highway Act authorizes the federal fuel tax. The FHA is authorized six years at a time.

Comments

Has been used sparingly in Nebraska by a few city and counties

Increase City Sales Tax

Funding Source/Financing Option:

The City currently levies a 1.5 percent tax on retail sales within the incorporated limits of the municipality. This is the maximum levy currently authorized under State law. These funds are currently used for the general operation of the City. None of these funds are presently dedicated to streets improvements.

Under this option, an additional City sales tax could be imposed with those funds dedicated to local street construction and maintenance.

Amount of Annual Funding/Revenue:

Assumed Sales Tax Rate	Annual Revenues
One Quarter (0.25) Cent (New Rate = 1.75%)	\$7,500,000
One Half (0.5) Cent (New Rate = 2.00%)	\$15,000,000

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

No. State authorization would be required through the Unicameral.

2. What governmental entity must approve this funding?

If structured like the current local sales tax option, a vote of the electorate would be required to implement the tax.

3. Other legal considerations?

State authorization would be required to use this revenue source to repay bonded indebtedness.

Who Pays/Provides Revenues:

Revenues collected from the general sale of retail products would be used to fund street improvements.

Broad based tax paid by consumers purchasing goods and services in Lincoln city limits.

How Feasible a Funding Source is this to Implement?

Would require a cooperative effort between Lincoln and Omaha to get legislative support

Pros

Import taxes from outside city

Cons

Regressive tax

New Sales Tax on All Auto Sales

Funding Source/Financing Option:

The City of Lincoln currently collects a 1.5 percent tax on the sale of vehicles to Lincoln residents. This is the maximum levy currently allowed under State law.

This option would increase this sales tax by one (1%) percent **to a total of 2½%.**

Amount of Annual Funding/Revenue:

Estimated annual revenues of about \$2,800,000 from a one percent increase in the tax.

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

No. State authorization would be required through the Unicameral.

2. What governmental entity must approve this funding?

Presumably the City Council and Mayor would need to approve the additional tax once State authorization is granted.

3. Other legal considerations?

Who Pays/Provides Revenues:

Revenues would be paid by Lincoln residents when they purchase a motor vehicle.

How Feasibility a Funding Sources is this to Implement?

Pros

Cons

Comments

City Income Tax

Funding Source/Financing Option:

This option would create a city income tax with the funds dedicated to street improvements.

Amount of Annual Funding/Revenue:

Rough estimate suggests that a one percent income tax would produce between \$1.5 million and \$1.7 million per year.

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?
No. State authorization would be required through the Unicameral.
2. What governmental entity must approve this funding?
Depends on how State authorizing legislation is drafted.
3. Other legal considerations?

Who Pays/Provides Revenues:

Residents of Lincoln filing income tax forms with the State of Nebraska.

How Feasibility a Funding Sources is this to Implement?

Pros

Progressive tax

Cons

Comments

Wheel Tax

Funding Source/Financing Option:

The City of Lincoln currently collects a tax on all vehicles registered to Lincoln residents. For the typical passenger vehicle, the annual tax is \$39.00. The tax varies depending upon the type and weight of the vehicle.

Amount of Annual Funding/Revenue:

Projected Revenue Stream Based on Natural Growth:

Fiscal Year	"Construction Funds" (1)	"Residual Funds" (2)	Available for Construction (1) + (2)
2003-2004	\$3,340,050	\$3,756,841	\$7,096,891
2004-2005	3,406,851	3,831,978	7,238,829
2005-2006	3,474,988	3,908,614	7,383,602
2006-2007	3,544,488	3,986,790	7,531,278
2007-2008	3,615,377	4,066,526	7,681,903
2008-2009	3,687,685	4,147,856	7,835,541
2009-2010	3,761,439	4,230,813	7,992,252
2010-2011	3,836,667	4,315,430	8,152,097
2011-2012	3,913,401	4,401,738	8,315,139
2012-2013	3,991,669	4,489,773	8,481,442
2013-2014	4,071,502	4,579,568	8,651,070
2014-2015	4,152,932	4,671,160	8,824,092

"Residual funds" refers to the portion of the Wheel Tax instituted prior to 1996 that can be used for street construction and maintenance; "Construction funds" refers to the post-1996 portion of the Wheel Tax dedicated to new construction and street widening.

Projected Additional Wheel Tax Revenues from Assumed Levy Increase:

Increase Per Vehicle	Est. Increase in Annual Revenues
\$5 per vehicle	\$1,000,000
\$10 per vehicle	\$2,000,000
\$15 per vehicle	\$3,000,000

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

Yes.

2. What governmental entity must approve this funding?

City Council and Mayoral approval would be required to increase the local wheel tax.

3. Other legal considerations?

Who Pays/Provides Revenues:

Revenues would be paid by Lincoln residents who own vehicles subject to the tax.

How Feasible a Funding Source is this to Implement?**Pros****Cons**

Currently substantial leakage

Very unpopular tax

Comments

Occupation Tax on Fuel Sales

Funding Source/Financing Option:

An “occupation tax” would be levied at the point of sale against those establishments engaged in the sale of motor vehicle fuel (i.e., gasoline and diesel) within the corporate limits of the City of Lincoln.

Amount of Annual Funding/Revenue:

Assumed Tax per Gallon	Estimated Annual Revenues
One (1) Cent	\$1,500,000
Five (5) Cents	\$7,500,000

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?
Yes.
2. What governmental entity must approve this funding?
City Council and Mayoral approval.
3. Other legal considerations?

Who Pays/Provides Revenues:

Business establishments engaged in the retail sale of motor vehicle fuels. Presumably the expense would be passed on to the consumer/purchaser of the fuel.

How Feasible a Funding Source is this to Implement?

Pros

Only requires City Council and Mayor approval

Cons

Difficult to gauge stability or amount of revenue source

Requires a whole new collection system posing an additional administrative burden on retailers

Comments

Special Funding Districts

Funding Source/Financing Option:

This option proposes the creation of districts (or specially designated geographic areas) with assessment levied against properties within the district to fund street improvements. The districts that have been suggested include: (1) special funding districts within city limits; (2) special funding districts outside city limits; (3) City Special Assessment Revolving Fund; and (4) sanitary and improvement districts.

Amount of Annual Funding/Revenue:

Revenues could vary depending upon the amount levied against the properties within the district.

Legal Considerations:

1. Is this funding source authorized currently? If not, what entity must authorize?

Yes, within the city limits

Complications if the district extends beyond the City limits

2. What governmental entity must approve this funding?

3. Other legal considerations?

Who Pays/Provides Revenues:

Property owners within the boundaries of the district.

How Feasible a Funding Source is this to Implement?

Pros

Cons

Comments

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